

ACTUANT CORP  
Form 10-Q  
January 07, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-11288

**ACTUANT CORPORATION**

(Exact name of registrant as specified in its charter)

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**Wisconsin**  
(State of incorporation)

**39-0168610**  
(I.R.S. Employer Id. No.)

**13000 WEST SILVER SPRING DRIVE**

**BUTLER, WISCONSIN 53007**

**Mailing address: P. O. Box 3241, Milwaukee, Wisconsin 53201**

(Address of principal executive offices)

**(414) 352-4160**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The number of shares outstanding of the registrant's Class A Common Stock as of December 31, 2010 was 68,503,335.

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**FORWARD LOOKING STATEMENTS AND CAUTIONARY FACTORS**

This quarterly report on Form 10-Q contains certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include statements regarding expected financial results and other planned events, including, but not limited to, anticipated liquidity, and capital expenditures. Words such as may, should, could, anticipate, believe, estimate, expect, plan, project and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual future events or results may differ materially from these statements. We disclaim any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or any other reason.

The following is a list of factors, among others, that could cause actual results to differ materially from the forward-looking statements:

the timing or strength of a worldwide economic recovery;

the realization of anticipated cost savings from restructuring activities and cost reduction efforts;

market conditions in the truck, automotive, recreational vehicle, industrial production, oil & gas, energy, power generation, marine, infrastructure and retail Do-It Yourself (DIY) industries;

increased competition in the markets we serve and market acceptance of existing and new products;

our ability to successfully identify and integrate acquisitions and realize anticipated benefits/results from acquired companies;

operating margin risk due to competitive product pricing, operating efficiencies and material, labor and overhead cost increases;

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foreign currency, interest rate and commodity risk;

supply chain and industry trends, including changes in purchasing and other business practices by customers;

regulatory and legal developments including changes to United States taxation rules, health care reform and governmental climate change initiatives;

our level of indebtedness, ability to comply with the financial and other covenants in our debt agreements and current credit market conditions.

Our Form 10-K for the fiscal year ended August 31, 2010 contains an expanded description of these and other risks that may affect our business, financial position and results of operations under the section entitled Risk Factors.

When used herein, the terms Actuant, we, us, our and the Company refer to Actuant Corporation and its subsidiaries.

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Actuant Corporation provides free-of-charge access to its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto, through its website, [www.actuant.com](http://www.actuant.com), as soon as reasonably practical after such reports are electronically filed with the Securities and Exchange Commission.

**Table of Contents****PART I - FINANCIAL INFORMATION****Item 1 Financial Statements****ACTUANT CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS***(In thousands, except per share amounts)**(Unaudited)*

|                                                         | <b>Three Months Ended November 30,</b> |             |
|---------------------------------------------------------|----------------------------------------|-------------|
|                                                         | <b>2010</b>                            | <b>2009</b> |
| Net sales                                               | \$ 318,412                             | \$ 272,640  |
| Cost of products sold                                   | 196,559                                | 172,517     |
| Gross profit                                            | 121,853                                | 100,123     |
| Selling, administrative and engineering expenses        | 73,739                                 | 65,303      |
| Restructuring charges                                   | 453                                    | 2,777       |
| Amortization of intangible assets                       | 6,089                                  | 5,435       |
| Operating profit                                        | 41,572                                 | 26,608      |
| Financing costs, net                                    | 7,552                                  | 8,538       |
| Other expense, net                                      | 448                                    | 281         |
| Earnings from continuing operations before income taxes | 33,572                                 | 17,789      |
| Income tax expense                                      | 6,911                                  | 4,529       |
| Earnings from continuing operations                     | 26,661                                 | 13,260      |
| Loss from discontinued operations, net of income taxes  | (771)                                  | (1,406)     |
| Net earnings                                            | \$ 25,890                              | \$ 11,854   |
| Earnings from continuing operations per share:          |                                        |             |
| Basic                                                   | \$ 0.39                                | \$ 0.20     |
| Diluted                                                 | \$ 0.36                                | \$ 0.19     |
| Earnings per share:                                     |                                        |             |
| Basic                                                   | \$ 0.38                                | \$ 0.18     |
| Diluted                                                 | \$ 0.35                                | \$ 0.17     |
| Weighted average common shares outstanding:             |                                        |             |
| Basic                                                   | 68,000                                 | 67,542      |
| Diluted                                                 | 74,876                                 | 74,012      |

See accompanying Notes to Condensed Consolidated Financial Statements

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**ACTUANT CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except share and per share amounts)*

*(unaudited)*

|                                                                                                                                                        | November 30,<br>2010 | August 31,<br>2010  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| <b>ASSETS</b>                                                                                                                                          |                      |                     |
| Current Assets                                                                                                                                         |                      |                     |
| Cash and cash equivalents                                                                                                                              | \$ 44,210            | \$ 40,222           |
| Accounts receivable, net                                                                                                                               | 196,456              | 185,693             |
| Inventories, net                                                                                                                                       | 156,153              | 146,154             |
| Deferred income taxes                                                                                                                                  | 30,713               | 30,701              |
| Prepaid expenses and other current assets                                                                                                              | 15,992               | 12,578              |
| Current assets of discontinued operations                                                                                                              | 46,422               | 44,802              |
| <b>Total Current Assets</b>                                                                                                                            | <b>489,946</b>       | <b>460,150</b>      |
| Property, Plant and Equipment                                                                                                                          |                      |                     |
| Land, buildings, and improvements                                                                                                                      | 48,241               | 48,301              |
| Machinery and equipment                                                                                                                                | 234,359              | 228,270             |
| <b>Gross property, plant and equipment</b>                                                                                                             | <b>282,600</b>       | <b>276,571</b>      |
| Less: Accumulated depreciation                                                                                                                         | (175,159)            | (168,189)           |
| <b>Property, Plant and Equipment, net</b>                                                                                                              | <b>107,441</b>       | <b>108,382</b>      |
| Goodwill                                                                                                                                               | 708,868              | 704,889             |
| Other Intangibles, net                                                                                                                                 | 332,798              | 336,978             |
| Other Long-term Assets                                                                                                                                 | 10,091               | 11,304              |
| <b>Total Assets</b>                                                                                                                                    | <b>\$ 1,649,144</b>  | <b>\$ 1,621,703</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                            |                      |                     |
| Current Liabilities                                                                                                                                    |                      |                     |
| Trade accounts payable                                                                                                                                 | \$ 131,283           | \$ 130,051          |
| Accrued compensation and benefits                                                                                                                      | 36,362               | 53,212              |
| Income taxes payable                                                                                                                                   | 51,755               | 50,318              |
| Other current liabilities                                                                                                                              | 69,190               | 74,561              |
| Current liabilities of discontinued operations                                                                                                         | 38,733               | 37,695              |
| <b>Total Current Liabilities</b>                                                                                                                       | <b>327,323</b>       | <b>345,837</b>      |
| Long-term Debt                                                                                                                                         | 367,339              | 367,380             |
| Deferred Income Taxes                                                                                                                                  | 110,707              | 110,230             |
| Pension and Postretirement Benefit Liabilities                                                                                                         | 27,678               | 28,072              |
| Other Long-term Liabilities                                                                                                                            | 32,355               | 30,463              |
| Shareholders' Equity                                                                                                                                   |                      |                     |
| Class A common stock, \$0.20 par value per share, authorized 168,000,000 shares, issued and outstanding 68,396,713 and 68,056,387 shares, respectively | 13,679               | 13,610              |
| Additional paid-in capital                                                                                                                             | (166,773)            | (175,157)           |
| Retained earnings                                                                                                                                      | 994,272              | 968,373             |
| Accumulated other comprehensive loss                                                                                                                   | (57,436)             | (67,105)            |

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|                                                   |                     |                     |
|---------------------------------------------------|---------------------|---------------------|
| Stock held in trust                               | (1,913)             | (1,934)             |
| Deferred compensation liability                   | 1,913               | 1,934               |
| <b>Total Shareholders' Equity</b>                 | <b>783,742</b>      | <b>739,721</b>      |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 1,649,144</b> | <b>\$ 1,621,703</b> |

See accompanying Notes to Condensed Consolidated Financial Statements



**Table of Contents****ACTUANT CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(In thousands)**(Unaudited)*

|                                                                                 | <b>Three Months Ended November 30,</b> |             |
|---------------------------------------------------------------------------------|----------------------------------------|-------------|
|                                                                                 | <b>2010</b>                            | <b>2009</b> |
| <b>Operating Activities</b>                                                     |                                        |             |
| Net earnings                                                                    | \$ 25,890                              | \$ 11,854   |
| Adjustments to reconcile net earnings to cash provided by operating activities: |                                        |             |
| Depreciation and amortization                                                   | 12,301                                 | 12,187      |
| Amortization of debt discount and debt issuance costs                           | 941                                    | 962         |
| Stock-based compensation expense                                                | 2,414                                  | 1,943       |
| Provision (benefit) for deferred income taxes                                   | (674)                                  | 256         |
| Other non-cash adjustments                                                      | 261                                    | 231         |
| Changes in components of working capital and other:                             |                                        |             |
| Accounts receivable                                                             | (10,760)                               | (8,032)     |
| Expiration of accounts receivable securitization program                        |                                        | (37,106)    |
| Inventories                                                                     | (8,710)                                | (4,400)     |
| Prepaid expenses and other assets                                               | 185                                    | 30          |
| Trade accounts payable                                                          | 285                                    | 12,439      |
| Income taxes payable                                                            | 2,039                                  | 9,439       |
| Accrued compensation and benefits                                               | (14,940)                               | 1,790       |
| Other accrued liabilities                                                       | (2,746)                                | 5,186       |
| Net cash provided by operating activities                                       | 6,486                                  | 6,779       |
| <b>Investing Activities</b>                                                     |                                        |             |
| Proceeds from sale of property, plant and equipment                             | 59                                     | 275         |
| Capital expenditures                                                            | (4,077)                                | (3,178)     |
| Business acquisitions, net of cash acquired                                     | (326)                                  |             |
| Net cash used in investing activities                                           | (4,344)                                | (2,903)     |
| <b>Financing Activities</b>                                                     |                                        |             |
| Net borrowings on revolver and other debt                                       | 14                                     | 22,382      |
| Repurchases of 2% Convertible Notes                                             | (34)                                   | (22,894)    |
| Stock option exercises and related tax benefits                                 | 3,553                                  | 487         |
| Cash dividend                                                                   | (2,716)                                | (2,702)     |
| Net cash provided by (used in) financing activities                             | 817                                    | (2,727)     |
| <b>Effect of exchange rate changes on cash</b>                                  | 1,029                                  | 1,288       |
| <b>Net increase in cash and cash equivalents</b>                                | 3,988                                  | 2,437       |
| <b>Cash and cash equivalents beginning of period</b>                            | 40,222                                 | 11,385      |
| <b>Cash and cash equivalents end of period</b>                                  | \$ 44,210                              | \$ 13,822   |

See accompanying Notes to Condensed Consolidated Financial Statements



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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Actuant Corporation ( "Actuant," or the "Company" ) have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The condensed consolidated balance sheet data as of August 31, 2010 was derived from the Company's audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For additional information, including the Company's significant accounting policies, refer to the consolidated financial statements and related footnotes in the Company's fiscal 2010 Annual Report on Form 10-K.

In the opinion of management, all adjustments considered necessary for a fair statement of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for the three months ended November 30, 2010 are not necessarily indicative of the results that may be expected for the entire fiscal year ending August 31, 2011.

**Note 2. Acquisitions**

The Company completed several business acquisitions during fiscal 2010. All of these acquisitions resulted in the recognition of goodwill in the Company's condensed consolidated financial statements because the purchase prices reflect the future earnings and cash flow potential of the acquired companies, as well as the complementary strategic fit and resulting synergies these businesses bring to existing operations. The Company is continuing to evaluate the initial purchase price allocations for acquisitions completed within the past twelve months and will adjust the allocations if additional information, relative to the fair values of the assets and liabilities of the acquired businesses, becomes known.

During fiscal 2010, the Company completed four tuck-in acquisitions for \$43.9 million of cash (net of cash acquired), \$2.5 million of deferred purchase price and \$4.5 million of contingent consideration. On April 9, 2010 the Company acquired Team Hydrotec, a Singapore based business that provides engineering and integrated solutions primarily to the infrastructure, energy and industrial markets. This was followed by the acquisition of Hydrospeex on April 14, 2010. Headquartered in The Netherlands, Hydrospeex is a leading provider of a broad range of heavy-lift technologies including strand jacks and gantries for the global infrastructure, power generation and other industrial markets. The products, technologies, engineering and geographic breadth of both Team Hydrotec and Hydrospeex will further strengthen the market positions of the Industrial Segment. On April 27, 2010, the Company completed the acquisition of New Jersey based Biach Industries, which provides custom designed bolt and stud tensioning products and services, predominately for the North American nuclear market. Biach Industries, through its strong customer relationships, engineering expertise and customized products will broaden the product and service offerings of the Energy segment to the global power generation market. Finally, on June 11, 2010 the Company completed the acquisition of Norway based Selantic, which is included in the Energy Segment. Selantic provides custom designed high performance slings, tethers and related products for heavy lifting applications.

The purchase price allocations for fiscal 2010 acquisitions resulted in the recognition of \$33.7 million of goodwill (a portion of which is deductible for tax purposes) and \$18.2 million of intangible assets, including \$14.5 million of customer relationships, \$2.5 million of tradenames, \$1.2 million of non-compete agreements and patents. The amounts assigned to customer relationships, tradenames and non-compete agreements are amortized over 15 years, 20 years and 3-5 years, respectively. The operating results of the acquired businesses are included in the condensed consolidated financial statements only since their respective acquisition dates.

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The following unaudited pro forma results of operations of the Company for the three months ended November 30, 2010 and 2009, give effect to these acquisitions as though the transactions and related financing activities had occurred on September 1, 2009 (in thousands, except per share amounts):

|                                                       | <b>Three Months Ended November 30,</b> |             |
|-------------------------------------------------------|----------------------------------------|-------------|
|                                                       | <b>2010</b>                            | <b>2009</b> |
| Net sales                                             |                                        |             |
| As reported                                           | \$ 318,412                             | \$ 272,640  |
| Pro forma                                             | 318,412                                | 283,789     |
| Net earnings from continuing operations               |                                        |             |
| As reported                                           | \$ 26,661                              | \$ 13,260   |
| Pro forma                                             | 26,661                                 | 13,413      |
| Basic earnings per share from continuing operations   |                                        |             |
| As reported                                           | \$ 0.39                                | \$ 0.20     |
| Pro forma                                             | 0.39                                   | 0.20        |
| Diluted earnings per share from continuing operations |                                        |             |
| As reported                                           | \$ 0.36                                | \$ 0.19     |
| Pro forma                                             | 0.36                                   | 0.19        |

During the first quarter of fiscal 2011, the Company paid \$0.3 million of deferred purchase price for an acquisition completed in a previous year. Transaction costs related to various business acquisition activities were \$0.6 million and \$0.3 million for the three months ended November 30, 2010 and 2009, respectively.

On December 10, 2010, the Company completed the acquisition of Mastervolt International Holding BV ( Mastervolt ) for a purchase price of approximately \$150.0 million. The purchase consideration was funded from the Company's existing cash balances and borrowings under the revolving credit facility. Mastervolt, which is headquartered in The Netherlands, is a designer, developer and global supplier of highly innovative, branded power electronics, primarily for the solar and marine markets. Mastervolt will expand the Electrical Segment's geographic presence and increase product offerings to include additional technologies associated with the efficient conversion, control, storage and conditioning of power.

**Note 3. Discontinued Operations**

During the fourth quarter of fiscal 2010, the Company committed to a plan to divest its European Electrical business (Electrical Segment), which designs, manufactures and markets electrical sockets, switches and other tools and consumables predominately in the European DIY retail market. This planned divestiture was part of the Company's portfolio management process to focus on businesses that create the most shareholder value. Weak economic conditions throughout Europe and reduced demand in the retail DIY markets, combined with the decision to divest the business caused the Company to reduce the projected sales, operating profit and cash flows of the European Electrical business, which resulted in a \$36.1 million non-cash asset impairment charge to adjust the carrying value of the asset group to fair value. The impairment charge consisted of \$24.5 million of goodwill, \$2.3 million of intangible assets and \$9.3 million of property, plant and equipment and other assets. As a result of the impairment charge, there is no remaining goodwill or intangible assets for the European Electrical business.

The following is a summary of the assets and liabilities of discontinued operations (in thousands):

|                                   | <b>November 30, 2010</b> | <b>August 31, 2010</b> |
|-----------------------------------|--------------------------|------------------------|
| Accounts receivable, net          | \$ 22,806                | \$ 20,379              |
| Inventories, net                  | 21,009                   | 21,771                 |
| Other assets                      | 2,205                    | 2,434                  |
| Property, plant & equipment, net  | 402                      | 218                    |
| Assets of discontinued operations | \$ 46,422                | \$ 44,802              |
| Trade accounts payable            | \$ 10,067                | \$ 9,428               |

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|                                        |           |           |
|----------------------------------------|-----------|-----------|
| Accrued compensation and benefits      | 1,547     | 1,647     |
| Other current liabilities              | 7,900     | 8,020     |
| Pension benefit accrual                | 17,654    | 17,161    |
| Other long-term liabilities            | 1,565     | 1,439     |
| Liabilities of discontinued operations | \$ 38,733 | \$ 37,695 |

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In addition, during the second quarter of fiscal 2010, the Company divested a portion of its European Electrical product line for \$7.5 million of cash proceeds, which resulted in a net pre-tax gain on disposal of \$0.3 million. The results of operations for the European Electrical business are reported as discontinued operations for all periods presented and are summarized in the following table (in thousands):

|                                                      | <b>Three Months Ended November 30,</b> |             |
|------------------------------------------------------|----------------------------------------|-------------|
|                                                      | <b>2010</b>                            | <b>2009</b> |
| Net sales                                            | \$ 25,301                              | \$ 32,553   |
| Loss from operations                                 | (687)                                  | (1,536)     |
| Income tax expense (benefit)                         | 84                                     | (130)       |
| Loss from discontinued operations, net of income tax | \$ (771)                               | \$ (1,406)  |

**Note 4. Restructuring**

During fiscal 2010 and 2009, the Company committed to various restructuring initiatives (due to the global economic downturn) including workforce reductions, plant consolidations, the transfer of production and product sourcing to lower cost plants or regions and the centralization of certain administrative functions. These restructuring actions were substantially complete at August 31, 2010, with limited restructuring charges expected in fiscal 2011. Total restructuring costs recognized, which impact all reportable segments, are as follows (in thousands):

|                                      | <b>Three months ended November 30,</b> |             |
|--------------------------------------|----------------------------------------|-------------|
|                                      | <b>2010</b>                            | <b>2009</b> |
| Severance and facility consolidation | \$ 67                                  | \$ 1,704    |
| Product line rationalization         | 8                                      | 54          |
| Other restructuring costs            | 386                                    | 1,073       |
|                                      | \$ 461                                 | \$ 2,831    |

A rollforward of the restructuring reserve (included in Other Current Liabilities and Other Long Term Liabilities in the consolidated balance sheet) is as follows (in thousands):

|                                             | <b>Three months ended November 30,</b> |             |
|---------------------------------------------|----------------------------------------|-------------|
|                                             | <b>2010</b>                            | <b>2009</b> |
| Beginning balance                           | \$ 6,517                               | \$ 9,282    |
| Restructuring charges                       | 461                                    | 2,831       |
| Cash payments                               | (2,284)                                | (3,668)     |
| Product line rationalization                | (8)                                    | (53)        |
| Other non-cash uses of reserve              |                                        | (815)       |
| Impact of changes in foreign currency rates | 49                                     | 684         |
| Ending balance                              | \$ 4,735                               | \$ 8,261    |

The remaining restructuring related severance will be paid during the next twelve months, while facility consolidation costs (primarily reserves for future lease payments for vacated facilities) will be paid over the underlying lease terms.

**Note 5. Goodwill and Other Intangible Assets**

The changes in the carrying value of goodwill for the three months ended November 30, 2010 are as follows (in thousands):

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|                                             | <b>Industrial</b> | <b>Energy</b> | <b>Electrical</b> | <b>Engineered<br/>Solutions</b> | <b>Total</b> |
|---------------------------------------------|-------------------|---------------|-------------------|---------------------------------|--------------|
| Balance as of August 31, 2010               | \$ 77,936         | \$ 240,590    | \$ 171,539        | \$ 214,824                      | \$ 704,889   |
| Purchase accounting adjustments             |                   | (24)          |                   |                                 | (24)         |
| Impact of changes in foreign currency rates | 771               | 2,195         | 313               | 724                             | 4,003        |
| Balance as of November 30, 2010             | \$ 78,707         | \$ 242,761    | \$ 171,852        | \$ 215,548                      | \$ 708,868   |

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The gross carrying value and accumulated amortization of the Company's intangible assets that have defined useful lives and are subject to amortization are as follows (in thousands):

|                           | November 30, 2010    |                          |                | August 31, 2010      |                          |                |
|---------------------------|----------------------|--------------------------|----------------|----------------------|--------------------------|----------------|
|                           | Gross Carrying Value | Accumulated Amortization | Net Book Value | Gross Carrying Value | Accumulated Amortization | Net Book Value |
| Customer relationships    | \$ 242,947           | \$ 57,076                | 185,871        | \$ 242,384           | \$ 53,013                | \$ 189,371     |
| Patents                   | 45,098               | 28,191                   | 16,907         | 44,987               | 27,264                   | 17,723         |
| Trademarks and tradenames | 20,218               | 5,358                    | 14,860         | 6,205                | 5,103                    | 1,102          |
| Non-compete agreements    | 5,658                | 3,646                    | 2,012          | 6,220                | 4,171                    | 2,049          |
| Other                     | 731                  | 613                      | 118            | 721                  | 584                      | 137            |
|                           | \$ 314,652           | \$ 94,884                | \$ 219,768     | \$ 300,517           | \$ 90,135                | \$ 210,382     |

Amortization expense recorded on the intangible assets listed above was \$5.8 million and \$5.4 million for the three months ended November 30, 2010 and 2009, respectively. The Company estimates that amortization expense will approximate \$16.5 million for the remainder of fiscal 2011. Amortization expense for future years is estimated to be as follows: \$20.6 million in fiscal 2012, \$19.1 million in 2013, \$18.3 million in fiscal 2014, \$18.2 million in fiscal 2015 and \$127.1 million thereafter. These future amortization expense amounts represent estimates, which may change based on future acquisitions, changes in foreign currency exchange rates or other factors.

The gross carrying value of the Company's intangible assets that have indefinite lives and are not subject to amortization as of November 30, 2010 and August 31, 2010 were \$113.0 million and \$126.6 million, respectively. Indefinite lived intangible assets decreased \$13.6 million during the first quarter of fiscal 2011 as a result of the impact of changes in foreign currency rates and the reclassification of certain tradenames to amortizable intangibles.

**Note 6. Accounts Receivable Securitization**

Historically, the Company was a party to an accounts receivable securitization program pursuant to which it sold certain of its trade accounts receivable to a wholly-owned, bankruptcy-remote special purpose subsidiary which, in turn, sold participating interests in its pool of receivables to a third party financial institution. The Company did not renew the securitization program on its September 9, 2009 maturity date and as a result, utilized availability under the Senior Credit Facility to fund the corresponding \$37.1 million increase in accounts receivable.

**Note 7. Product Warranty Costs**

The Company recognizes the cost associated with its product warranties at the time of sale. The amount recognized is based on sales, historical claim rates and current claim cost experience. The following is a rollforward of the accrued product warranty reserve (in thousands):

|                                                       | Three Months Ended November 30, |          |
|-------------------------------------------------------|---------------------------------|----------|
|                                                       | 2010                            | 2009     |
| Beginning balance                                     | \$ 7,868                        | \$ 7,978 |
| Provision for warranties                              | 1,359                           | 1,467    |
| Warranty payments and costs incurred                  | (1,565)                         | (1,308)  |
| Warranty reserves of divested/discontinued businesses |                                 | 949      |
| Impact of changes in foreign currency rates           | 105                             | 112      |
| Ending balance                                        | \$ 7,767                        | \$ 9,198 |



**Table of Contents****Note 8. Debt**

The following is a summary of the Company's long-term indebtedness (in thousands):

|                                                              | November 30, 2010 | August 31, 2010 |
|--------------------------------------------------------------|-------------------|-----------------|
| Senior Credit Facility - Revolver                            | \$                | \$              |
| 6.875% Senior Notes                                          | 249,358           | 249,334         |
| Other debt                                                   | 172               | 203             |
| Total Senior Indebtedness                                    | 249,530           | 249,537         |
| Convertible subordinated debentures ( 2% Convertible Notes ) | 117,809           | 117,843         |
|                                                              | \$ 367,339        | \$ 367,380      |

The Senior Credit Facility provides a \$400 million revolving credit facility and bears interest at LIBOR plus 3.25% (aggregating 3.56% at November 30, 2010). Borrowings are subject to a pricing grid, which can result in increases or decreases to the borrowing spread on a quarterly basis, depending on the Company's leverage ratio. In addition, a non-use fee is payable quarterly on the average unused and available credit line under the revolver. At November 30, 2010, the non-use fee was 0.5% annually, and the unused credit line under the revolver was approximately \$398.1 million, of which \$365.7 million was available for borrowings. The Senior Credit Facility, which is secured by substantially all of the Company's domestic personal property assets, also contains customary limits and restrictions concerning investments, sales of assets, liens on assets, dividends and other payments. The two financial covenants included in the Senior Credit Facility agreement are a maximum leverage ratio of 3.5:1 and a minimum fixed charge coverage ratio of 1.65:1. The Company was in compliance with all debt covenants at November 30, 2010. We intend to extend or replace the Senior Credit Facility prior to its November 10, 2011 maturity date.

On June 12, 2007, the Company issued \$250.0 million of 6.875% Senior Notes (the "Senior Notes") at an approximate \$1.0 million discount, generating net proceeds of \$249.0 million. The Senior Notes were issued at a price of 99.607% to yield 6.93%, and require no principal installments prior to their June 15, 2017 maturity. The \$1.0 million initial issuance discount is being amortized through interest expense over the 10 year life of the Senior Notes. Semiannual interest payments on the Senior Notes are due in December and June of each year.

In November 2003, the Company issued \$150.0 million of Senior Subordinated Convertible Debentures due November 15, 2023 (the "2% Convertible Notes"). Since 2003, the Company repurchased (for cash) \$32.2 million of 2% Convertible Notes at an average price of 99.3% of par value. The remaining \$117.8 million of 2% Convertible Notes, are convertible into 5,967,662 shares of Company's Class A common stock at a conversion rate of 50.6554 shares per \$1,000 of principal amount, which equates to a conversion price of approximately \$19.74 per share. The 2% Convertible Notes bear interest at a rate of 2.0% annually which is payable on November 15 and May 15 of each year. Beginning with the six-month interest period commencing November 15, 2010, holders will receive contingent interest if the trading price of the 2% Convertible Notes equals or exceeds 120% of their underlying principal amount over a specified trading period. If payable, the contingent interest shall equal 0.25% of the average trading price of the 2% Convertible Notes during the five days immediately preceding the applicable nine month interest periods.

The Company may redeem all or part of the 2% Convertible Notes on or after November 20, 2010 for cash, at a redemption price equal to 100% of the principal amount, plus accrued interest. In addition, holders of the 2% Convertible Notes have the option to require the Company to repurchase all or a portion of their 2% Convertible Notes for cash on November 15, 2013 and November 15, 2018, at a repurchase price equal to 100% of the principal amount of the notes, plus accrued interest. If certain conditions are met, holders may also convert their 2% Convertible Notes into shares of the Company's Class A common stock prior to the scheduled maturity date.

**Note 9. Employee Benefit Plans**

The Company provides pension benefits to certain employees of acquired domestic businesses, who were entitled to such benefits prior to acquisition, as well as certain employees of international subsidiaries. Most of the U.S. defined benefit pension plans are frozen, and as a result, the majority of the plan participants no longer earn additional benefits, while participants in most non-U.S. defined benefit plans continue to earn benefits. For the three months ended November 30, 2010, the Company recognized a net periodic pension benefit cost of \$0.2 million, compared to \$0.1 million in the comparable prior year period.



**Table of Contents****Note 10. Fair Value Measurement**

In accordance with ASC No. 820, Fair Value Measurements and Disclosures, the Company assesses the inputs used to measure the fair value of financial assets and liabilities using a three-tier hierarchy. Level 1 inputs include quoted prices for identical instruments. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The Company has no financial assets or liabilities that are recorded at fair value using significant unobservable inputs (Level 3). The fair value of financial assets and liabilities included in the condensed consolidated balance sheet are as follows (in thousands):

|                                      | November 30,<br>2010 | August 31,<br>2010 |
|--------------------------------------|----------------------|--------------------|
| <b>Level 1 Valuation:</b>            |                      |                    |
| Cash equivalents                     | \$ 1,186             | \$ 5,092           |
| Investments                          | 1,436                | 1,313              |
| <b>Level 2 Valuation:</b>            |                      |                    |
| Fair value of derivative instruments | \$ (1,135)           | \$ 207             |

The fair value of the Company's accounts receivable, accounts payable and variable rate long-term debt approximated book value as of November 30, 2010 and August 31, 2010 due to their short-term nature and the fact that the applicable interest rates approximated market rates of interest. The fair value of the Company's outstanding \$117.8 million 2% Convertible Notes at November 30, 2010 and August 31, 2010, was \$143.4 million and \$126.4 million, respectively. The fair value of the Company's outstanding \$250.0 million of Senior Notes at November 30, 2010 and August 31, 2010 was \$247.5 million and \$252.5 million, respectively. The fair value of the 2% Convertible Notes and Senior Notes were based on quoted market prices.

**Note 11. Earnings Per Share**

The reconciliations between basic and diluted earnings per share are as follows (in thousands, except per share amounts):

|                                                                                          | Three Months Ended November 30,<br>2010 |        | 2009 |        |
|------------------------------------------------------------------------------------------|-----------------------------------------|--------|------|--------|
| <b>Numerator:</b>                                                                        |                                         |        |      |        |
| Net earnings                                                                             | \$                                      | 25,890 | \$   | 11,854 |
| Plus: 2% Convertible Notes financing costs, net of taxes                                 |                                         | 456    |      | 467    |
| Net earnings for diluted earnings per share                                              | \$                                      | 26,346 | \$   | 12,321 |
| <b>Denominator:</b>                                                                      |                                         |        |      |        |
| Weighted average common shares outstanding for basic earnings per share                  |                                         | 68,000 |      | 67,542 |
| Net effect of dilutive securities - equity based compensation plans                      |                                         | 928    |      | 488    |
| Net effect of 2% Convertible Notes based on the if-converted method                      |                                         | 5,948  |      | 5,982  |
| Weighted average common and equivalent shares outstanding for diluted earnings per share |                                         | 74,876 |      | 74,012 |
| <b>Basic Earnings Per Share:</b>                                                         | \$                                      | 0.38   | \$   | 0.18   |
| <b>Diluted Earnings Per Share:</b>                                                       | \$                                      | 0.35   | \$   | 0.17   |

At November 30, 2010 and 2009, outstanding share based awards to acquire 3,200,000 and 4,200,000 shares of common stock were not included in the Company's computation of earnings per share because the effect would have been anti-dilutive.

**Note 12. Income Taxes**

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The Company's income tax expense is impacted by a number of factors, including the amount of taxable earnings derived in foreign jurisdictions with tax rates that are higher or lower than the U.S. federal statutory rate, permanent items, state tax rates and our ability to utilize various tax credits and net operating loss carryforwards. The Company adjusts the quarterly provision for income taxes based on the estimated annual effective income tax rate and facts and circumstances known at each interim reporting period.

The effective income tax rate was 20.6% and 25.5% for the three months ended November 30, 2010 and 2009, respectively. The lower effective income tax rate for the three months ended November 30, 2010 reflected higher foreign tax credits and increased taxable earnings in foreign jurisdictions (with statutory tax rates lower than the U.S. statutory tax rate).

The gross liability for unrecognized tax benefits, excluding interest and penalties, increased from \$28.2 million at August 31, 2010 to \$28.9 million at November 30, 2010. Substantially all of these unrecognized tax benefits, if recognized, would reduce the effective income tax rate. In addition, as of November 30, 2010 and August 31, 2010, the Company had liabilities totaling \$4.7 million and \$4.2 million, respectively, for the payment of interest and penalties related to its unrecognized tax benefits.

**Table of Contents****Note 13. Other Comprehensive Income**

The Company's comprehensive income is significantly impacted by the movement of the U.S. dollar versus other global currencies, most notably the Euro and British Pound. The following table sets forth the reconciliation of net earnings to comprehensive income (in thousands):

|                                             | <b>Three Months Ended November 30,</b> |             |
|---------------------------------------------|----------------------------------------|-------------|
|                                             | <b>2010</b>                            | <b>2009</b> |
| Net earnings                                | \$ 25,890                              | \$ 11,854   |
| Foreign currency translation adjustment     | 9,563                                  | 14,011      |
| Changes in net unrealized gains, net of tax | 106                                    | (208)       |
| Comprehensive income                        | \$ 35,559                              | \$ 25,657   |

**Note 14. Segment Information**

The Company is a global manufacturer of a broad range of industrial products and systems and is organized into four reportable segments: Industrial, Energy, Electrical and Engineered Solutions. The Industrial Segment is primarily involved in the design, manufacture and distribution of branded hydraulic and mechanical tools to the maintenance, industrial, infrastructure and production automation markets. The Energy Segment provides joint integrity products and services, as well as umbilical, rope and cable solutions to the global oil & gas, power generation and energy markets. The Electrical Segment is primarily involved in the design, manufacture and distribution of a broad range of electrical products to the retail DIY, wholesale, OEM, solar, utility and harsh environment markets. The Engineered Solutions Segment provides highly engineered position and motion control systems to OEMs in various vehicle markets, as well as a variety of other industrial products.

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The following tables summarize financial information from continuing operations by reportable segment and product line (in thousands):

|                                              | <b>Three Months Ended November 30,</b> |                        |
|----------------------------------------------|----------------------------------------|------------------------|
|                                              | <b>2010</b>                            | <b>2009</b>            |
| <b>Net Sales by Segment:</b>                 |                                        |                        |
| Industrial                                   | \$ 87,392                              | \$ 65,308              |
| Energy                                       | 70,743                                 | 64,065                 |
| Electrical                                   | 55,396                                 | 54,065                 |
| Engineered Solutions                         | 104,881                                | 89,202                 |
|                                              | \$ 318,412                             | \$ 272,640             |
| <b>Net Sales by Reportable Product Line:</b> |                                        |                        |
| Industrial                                   | \$ 87,392                              | \$ 65,308              |
| Energy                                       | 70,743                                 | 64,065                 |
| North American Electrical                    | 55,396                                 | 54,065                 |
| Vehicle Systems                              | 76,741                                 | 64,554                 |
| Other                                        | 28,140                                 | 24,648                 |
|                                              | \$ 318,412                             | \$ 272,640             |
| <b>Operating Profit:</b>                     |                                        |                        |
| Industrial                                   | \$ 20,187                              | \$ 13,676              |
| Energy                                       | 11,858                                 | 11,359                 |
| Electrical                                   | 3,760                                  | 2,186                  |
| Engineered Solutions                         | 13,802                                 | 5,053                  |
| General Corporate                            | (8,035)                                | (5,666)                |
|                                              | \$ 41,572                              | \$ 26,608              |
| <b>Assets:</b>                               |                                        |                        |
|                                              | <b>November 30, 2010</b>               | <b>August 31, 2010</b> |
| Industrial                                   | \$ 247,020                             | \$ 241,036             |
| Energy                                       | 496,053                                | 491,053                |
| Electrical                                   | 325,669                                | 326,129                |
| Engineered Solutions                         | 446,967                                | 434,976                |
| General Corporate                            | 87,013                                 | 83,707                 |
| Assets of discontinued operations            | 46,422                                 | 44,802                 |
|                                              | \$ 1,649,144                           | \$ 1,621,703           |

In addition to the impact of changes in foreign currency exchange rates, the comparability of segment and product line information is impacted by acquisitions, divestitures, restructuring costs and related benefits. Corporate assets, which are not allocated, principally represent capitalized debt issuance costs, deferred income taxes and the fair value of derivative instruments.

**Note 15. Contingencies and Litigation**

The Company had outstanding letters of credit of \$9.1 million at November 30 and August 31, 2010, the majority of which secure self-insured workers compensation liabilities.

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The Company is a party to various legal proceedings that have arisen in the normal course of its business. These legal proceedings typically include product liability, environmental, labor, insurance, patent claims and divestiture disputes. The Company has recorded reserves for loss contingencies based on the specific circumstances of each case. Such reserves are recorded when it is probable that a loss has been incurred as of the balance sheet date, can be reasonably estimated and is not covered by insurance. In the opinion of management, the resolution of these contingencies will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company, in the normal course of business, enters into certain real estate and equipment leases or guarantees such leases on behalf of its subsidiaries. In conjunction with the spin-off of a former subsidiary in fiscal 2000, the Company assigned its rights in the leases used by the former subsidiary, but was not released as a responsible party from all such leases by the lessors. All of these businesses were subsequently sold. The Company remains contingently liable for those leases if any of these businesses are unable to fulfill their obligations thereunder. The discounted present value of future minimum lease payments for these leases was \$3.4 million at November 30, 2010.

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The Company has facilities in numerous geographic locations that are subject to a range of environmental laws and regulations. Environmental costs that have no future economic value are expensed. Liabilities are recorded when environmental remediation is probable and the costs are reasonably estimable. Environmental expenditures over the last two years have not been material. Management believes that such costs will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Note 16. Guarantor Subsidiaries**

On June 12, 2007, Actuant Corporation (the "Parent") issued \$250.0 million of 6.875% Senior Notes. All of the Company's material domestic 100% owned subsidiaries (the "Guarantors") fully and unconditionally guarantee the 6.875% Senior Notes on a joint and several basis. There are no significant restrictions on the ability of the Guarantors to make distributions to the Parent. The following tables present the results of operations, financial position and cash flows of Actuant Corporation and its subsidiaries, the Guarantor and non-Guarantor entities, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

Certain assets, liabilities and expenses have not been allocated to the Guarantors and non-Guarantors and therefore are included in the Parent column in the accompanying consolidating financial statements. These items are of a corporate or consolidated nature and include, but are not limited to, tax provisions and related assets and liabilities, certain employee benefit obligations, prepaid and accrued insurance and corporate indebtedness. Intercompany activity in the consolidating financial statements primarily includes loan activity, purchases and sales of goods or services and dividends. Intercompany balances also reflect certain non-cash transactions including transfers of assets and liabilities between the Parent, Guarantor and non-Guarantor, allocation of non-cash expenses from the Parent to the Guarantors and non-Guarantors, the impact of foreign currency rate changes and non-cash intercompany dividends.

Certain revisions have been made to correct the prior year presentation of parent, guarantor and non-guarantor operating, investing and financing cash flows (related entirely to the classification of changes in intercompany payables/receivables within the consolidating statement of cash flows) to conform to the current year presentation. The revisions increased parent and non-guarantor cash flow from operating activities by \$16.2 million and \$0.3 million, respectively, and decreased guarantor cash flow from operating activities by \$16.5 million in fiscal 2010. Consolidated prior year cash flows from operating, investing and financing activities have not changed.



**Table of Contents****CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS***(In thousands)*

| Three Months Ended November 30, 2010                                                     |           |            |                |              |              |
|------------------------------------------------------------------------------------------|-----------|------------|----------------|--------------|--------------|
|                                                                                          | Parent    | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Net sales                                                                                | \$ 35,969 | \$ 122,729 | \$ 159,714     | \$           | \$ 318,412   |
| Cost of products sold                                                                    | 10,425    | 87,163     | 98,971         |              | 196,559      |
| Gross profit                                                                             | 25,544    | 35,566     | 60,743         |              | 121,853      |
| Selling, administrative and engineering expenses                                         | 19,020    | 23,930     | 30,789         |              | 73,739       |
| Restructuring charges                                                                    | 150       | 58         | 245            |              | 453          |
| Amortization of intangible assets                                                        |           | 3,726      | 2,363          |              | 6,089        |
| Operating profit                                                                         | 6,374     | 7,852      | 27,346         |              | 41,572       |
| Financing costs, net                                                                     | 7,552     |            |                |              | 7,552        |
| Intercompany expense (income), net                                                       | 1,885     | 4,424      | (6,309)        |              |              |
| Other expense (income), net                                                              | (313)     | 404        | 357            |              | 448          |
| Earnings (loss) from continuing operations before income tax expense (benefit)           | (2,750)   | 3,024      | 33,298         |              | 33,572       |
| Income tax expense (benefit)                                                             | (565)     | 623        | 6,853          |              | 6,911        |
| Net earnings (loss) from continuing operations before equity in earnings of subsidiaries | (2,185)   | 2,401      | 26,445         |              | 26,661       |
| Equity in earnings of subsidiaries                                                       | 28,075    | 19,263     | 1,342          | (48,680)     |              |
| Earnings from continuing operations                                                      | 25,890    | 21,664     | 27,787         | (48,680)     | 26,661       |
| Loss from discontinued operations                                                        |           |            | (771)          |              | (771)        |
| Net earnings                                                                             | \$ 25,890 | \$ 21,664  | \$ 27,016      | \$ (48,680)  | \$ 25,890    |

| Three Months Ended November 30, 2009                          |           |            |                |              |              |
|---------------------------------------------------------------|-----------|------------|----------------|--------------|--------------|
|                                                               | Parent    | Guarantors | Non-Guarantors | Eliminations | Consolidated |
| Net sales                                                     | \$ 31,159 | \$ 109,106 | \$ 132,375     | \$           | \$ 272,640   |
| Cost of products sold                                         | 8,488     | 80,392     | 83,637         |              | 172,517      |
| Gross profit                                                  | 22,671    | 28,714     | 48,738         |              | 100,123      |
| Selling, administrative and engineering expenses              | 16,369    | 21,253     | 27,681         |              | 65,303       |
| Restructuring charges                                         | 605       | 1,670      | 502            |              | 2,777        |
| Amortization of intangible assets                             |           | 3,612      | 1,823          |              | 5,435        |
| Operating profit                                              | 5,697     | 2,179      | 18,732         |              | 26,608       |
| Financing costs, net                                          | 8,481     | 2          | 55             |              | 8,538        |
| Intercompany expense (income), net                            | (4,087)   | (1,347)    | 5,434          |              |              |
| Other expense (income), net                                   | (302)     | (64)       | 647            |              | 281          |
| Earnings from continuing operations before income tax expense | 1,605     | 3,588      | 12,596         |              | 17,789       |
| Income tax expense                                            | 995       | 794        | 2,740          |              | 4,529        |

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|                                                                                   |           |           |          |             |           |
|-----------------------------------------------------------------------------------|-----------|-----------|----------|-------------|-----------|
| Net earnings from continuing operations before equity in earnings of subsidiaries | 610       | 2,794     | 9,856    |             | 13,260    |
| Equity in earnings of subsidiaries                                                | 11,244    | 7,683     | 495      | (19,422)    |           |
| Earnings from continuing operations                                               | 11,854    | 10,477    | 10,351   | (19,422)    | 13,260    |
| Loss from discontinued operations                                                 |           |           | (1,406)  |             | (1,406)   |
| Net earnings                                                                      | \$ 11,854 | \$ 10,477 | \$ 8,945 | \$ (19,422) | \$ 11,854 |

**Table of Contents****CONDENSED CONSOLIDATING BALANCE SHEETS***(In thousands)*

|                                                 | November 30, 2010 |              |                |                |              |
|-------------------------------------------------|-------------------|--------------|----------------|----------------|--------------|
|                                                 | Parent            | Guarantors   | Non-Guarantors | Eliminations   | Consolidated |
| <b>ASSETS</b>                                   |                   |              |                |                |              |
| Current Assets                                  |                   |              |                |                |              |
| Cash and cash equivalents                       | \$ 2,502          | \$           | \$ 41,708      | \$             | \$ 44,210    |
| Accounts receivable, net                        | 13,709            | 70,380       | 112,367        |                | 196,456      |
| Inventories, net                                | 21,350            | 75,484       | 59,319         |                | 156,153      |
| Deferred income taxes                           | 30,713            |              |                |                | 30,713       |
| Prepaid expenses and other current assets       | 8,432             | 1,077        | 6,483          |                | 15,992       |
| Current assets of discontinued operations       |                   |              | 46,422         |                | 46,422       |
| Total Current Assets                            | 76,706            | 146,941      | 266,299        |                | 489,846      |
| Property, Plant & Equipment, net                | 2,626             | 41,031       | 63,784         |                | 107,441      |
| Goodwill                                        | 68,619            | 421,403      | 218,846        |                | 708,868      |
| Other Intangibles, net                          |                   | 243,552      | 89,246         |                | 332,798      |
| Intercompany Receivable                         |                   | 217,672      | 246,262        | (463,934)      |              |
| Investment in Subsidiaries                      | 1,541,985         | 377,395      | 54,312         | (1,973,692)    |              |
| Other Long-term Assets                          | 7,527             | 49           | 2,515          |                | 10,091       |
| Total Assets                                    | \$ 1,697,463      | \$ 1,448,043 | \$ 941,264     | \$ (2,437,626) | \$ 1,649,144 |
| <b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>    |                   |              |                |                |              |
| Current Liabilities                             |                   |              |                |                |              |
| Trade accounts payable                          | \$ 13,971         | \$ 36,762    | \$ 80,550      | \$             | \$ 131,283   |
| Accrued compensation and benefits               | 9,947             | 6,018        | 20,397         |                | 36,362       |
| Income taxes payable                            | 41,775            |              | 9,980          |                | 51,755       |
| Other current liabilities                       | 23,229            | 14,253       | 31,708         |                | 69,190       |
| Current liabilities of discontinued operations  |                   |              | 38,733         |                | 38,733       |
| Total Current Liabilities                       | 88,922            | 57,033       | 181,368        |                | 327,323      |
| Long-term Debt                                  | 367,339           |              |                |                | 367,339      |
| Deferred Income Taxes                           | 84,630            |              | 26,077         |                | 110,707      |
| Pension and Post-retirement Benefit Liabilities | 25,345            |              | 2,333          |                | 27,678       |
| Other Long-term Liabilities                     | 22,424            | 701          | 9,230          |                | 32,355       |
| Intercompany Payable                            | 325,061           |              | 138,873        | (463,934)      |              |
| Shareholders' Equity                            | 783,742           | 1,390,309    | 583,383        | (1,973,692)    | 783,742      |
| Total Liabilities and Shareholders' Equity      | \$ 1,697,463      | \$ 1,448,043 | \$ 941,264     | \$ (2,437,626) | \$ 1,649,144 |

**Table of Contents****CONDENSED CONSOLIDATING BALANCE SHEETS***(In thousands)*

|                                                 | Parent       | Guarantors   | August 31, 2010<br>Non-Guarantors | Eliminations   | Consolidated |
|-------------------------------------------------|--------------|--------------|-----------------------------------|----------------|--------------|
| <b>ASSETS</b>                                   |              |              |                                   |                |              |
| Current Assets                                  |              |              |                                   |                |              |
| Cash and cash equivalents                       | \$ 5,055     | \$           | \$ 35,167                         | \$             | \$ 40,222    |
| Accounts receivable, net                        | 16,467       | 61,675       | 107,551                           |                | 185,693      |
| Inventories, net                                | 23,680       | 69,172       | 53,302                            |                | 146,154      |
| Deferred income taxes                           | 30,701       |              |                                   |                | 30,701       |
| Prepaid expenses and other current assets       | 2,645        | 3,705        | 6,228                             |                | 12,578       |
| Current assets of discontinued operations       |              |              | 44,802                            |                | 44,802       |
| Total Current Assets                            | 78,548       | 134,552      | 247,050                           |                | 460,150      |
| Property, Plant & Equipment, net                | 5,166        | 41,226       | 61,990                            |                | 108,382      |
| Goodwill                                        | 68,969       | 417,914      | 218,006                           |                | 704,889      |
| Other Intangibles, net                          |              | 242,310      | 94,668                            |                | 336,978      |
| Intercompany Receivable                         |              | 227,792      | 212,847                           | (440,639)      |              |
| Investment in Subsidiaries                      | 1,511,103    | 319,196      | 115,846                           | (1,946,145)    |              |
| Other Long-term Assets                          | 8,421        | 130          | 2,753                             |                | 11,304       |
| Total Assets                                    | \$ 1,672,207 | \$ 1,383,120 | \$ 953,160                        | \$ (2,386,784) | \$ 1,621,703 |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>   |              |              |                                   |                |              |
| Current Liabilities                             |              |              |                                   |                |              |
| Trade accounts payable                          | \$ 16,055    | \$ 35,546    | \$ 78,450                         | \$             | \$ 130,051   |
| Accrued compensation and benefits               | 22,057       | 11,083       | 20,072                            |                | 53,212       |
| Income taxes payable                            | 43,822       |              | 6,496                             |                | 50,318       |
| Other current liabilities                       | 20,898       | 14,354       | 39,309                            |                | 74,561       |
| Current liabilities of discontinued operations  |              |              | 37,695                            |                | 37,695       |
| Total Current Liabilities                       | 102,832      | 60,983       | 182,022                           |                | 345,837      |
| Long-term Debt                                  | 367,380      |              |                                   |                | 367,380      |
| Deferred Income Taxes                           | 84,694       |              | 25,536                            |                | 110,230      |
| Pension and Post-retirement Benefit Liabilities | 27,144       | 972          | (44)                              |                | 28,072       |
| Other Long-term Liabilities                     | 20,257       | 766          | 9,440                             |                | 30,463       |
| Intercompany Payable                            | 330,179      |              | 110,460                           | (440,639)      |              |
| Shareholders' Equity                            | 739,721      | 1,320,399    | 625,746                           | (1,946,145)    | 739,721      |
| Total Liabilities and Shareholders' Equity      | \$ 1,672,207 | \$ 1,383,120 | \$ 953,160                        | \$ (2,386,784) | \$ 1,621,703 |

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### CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(In thousands)

|                                                             | Parent      | Three Months Ended November 30, 2010 |                |              | Consolidated |
|-------------------------------------------------------------|-------------|--------------------------------------|----------------|--------------|--------------|
|                                                             |             | Guarantors                           | Non-Guarantors | Eliminations |              |
| <b>Operating Activities</b>                                 |             |                                      |                |              |              |
| Net cash provided by (used in) operating activities         | \$ (16,313) | \$ 9,615                             | \$ 14,717      | \$ (1,533)   | \$ 6,486     |
| <b>Investing Activities</b>                                 |             |                                      |                |              |              |
| Proceeds from sale of property, plant & equipment           |             | 16                                   | 43             |              | 59           |
| Capital expenditures                                        | (319)       | (1,466)                              | (2,292)        |              | (4,077)      |
| Business acquisitions, net of cash acquired                 |             | (350)                                | 24             |              | (326)        |
| Cash used in investing activities                           | (319)       | (1,800)                              | (2,225)        |              | (4,344)      |
| <b>Financing Activities</b>                                 |             |                                      |                |              |              |
| Net borrowings on revolver and other debt                   |             |                                      | 14             |              | 14           |
| Repurchases of 2% Convertible Notes                         | (34)        |                                      |                |              | (34)         |
| Intercompany loan activity                                  | 13,276      | (7,815)                              | (5,461)        |              |              |
| Stock option exercises and related tax benefits             | 3,553       |                                      |                |              | 3,553        |
| Cash dividend                                               | (2,716)     |                                      | (1,533)        | 1,533        | (2,716)      |
| Cash provided by (used in) financing activities             | 14,079      | (7,815)                              | (6,980)        | 1,533        | 817          |
| <b>Effect of exchange rate changes on cash</b>              |             |                                      | 1,029          |              | 1,029        |
| <b>Net increase (decrease) in cash and cash equivalents</b> | (2,553)     |                                      | 6,541          |              | 3,988        |
| <b>Cash and cash equivalents - beginning of period</b>      | 5,055       |                                      | 35,167         |              | 40,222       |
| <b>Cash and cash equivalents - end of period</b>            | \$ 2,502    | \$                                   | \$ 41,708      | \$           | \$ 44,210    |

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### CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(In thousands)

|                                                        | Three Months Ended November 30, 2009 |             |                |              |              |
|--------------------------------------------------------|--------------------------------------|-------------|----------------|--------------|--------------|
|                                                        | Parent                               | Guarantors  | Non-Guarantors | Eliminations | Consolidated |
| <b>Operating Activities</b>                            |                                      |             |                |              |              |
| Net cash provided by (used in) operating activities    | \$ 28,789                            | \$ (40,083) | \$ 22,577      | \$ (4,504)   | \$ 6,779     |
| <b>Investing Activities</b>                            |                                      |             |                |              |              |
| Proceeds from sale of property, plant & equipment      |                                      | 117         | 158            |              | 275          |
| Capital expenditures                                   | (723)                                | (1,229)     | (1,226)        |              | (3,178)      |
| Cash used in investing activities                      | (723)                                | (1,112)     | (1,068)        |              | (2,903)      |
| <b>Financing Activities</b>                            |                                      |             |                |              |              |
| Net borrowings on revolver and other debt              | 23,686                               |             | (1,304)        |              | 22,382       |
| Repurchases of 2% Convertible Notes                    | (22,894)                             |             |                |              | (22,894)     |
| Intercompany loan activity                             | (25,695)                             | 45,699      | (20,004)       |              |              |
| Stock option exercises and related tax benefits        | 487                                  |             |                |              | 487          |
| Cash dividend                                          | (2,702)                              | (4,504)     |                | 4,504        | (2,702)      |
| Cash provided by (used in) financing activities        | (27,118)                             | 41,195      | (21,308)       | 4,504        | (2,727)      |
| <b>Effect of exchange rate changes on cash</b>         |                                      |             | 1,288          |              | 1,288        |
| <b>Net increase in cash and cash equivalents</b>       | 948                                  |             | 1,489          |              | 2,437        |
| <b>Cash and cash equivalents - beginning of period</b> | 126                                  |             | 11,259         |              | 11,385       |
| <b>Cash and cash equivalents - end of period</b>       | \$ 1,074                             | \$          | \$ 12,748      | \$           | \$ 13,822    |

**Table of Contents****Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**

Actuant Corporation, headquartered in Butler, Wisconsin, is a Wisconsin corporation incorporated in 1910. We are a global manufacturer of a broad range of industrial products and systems. We are organized into four operating and reportable segments as follows: Industrial, Energy, Electrical and Engineered Solutions.

The Industrial segment is primarily involved in the design, manufacture and distribution of branded hydraulic and mechanical tools to the maintenance, industrial, infrastructure and production automation markets. The Energy segment provides joint integrity products and services, as well as umbilical, rope and cable solutions to the global oil & gas, power generation and energy markets. The Electrical segment is primarily involved in the design, manufacture and distribution of a broad range of electrical products to the retail DIY, wholesale, original equipment manufacturer ( OEM ), solar, utility and harsh environment markets. The Engineered Solutions segment provides highly engineered position and motion control systems to OEMs in various vehicle markets, as well as a variety of other industrial products.

Our long-term goal is to grow annual diluted earnings per share ( EPS ), excluding unusual or non-recurring items, faster than most multi-industry peers. We intend to leverage our leading market positions to generate annual internal sales growth that exceeds the annual growth rates of the gross domestic product in the geographic regions in which we operate. In addition to internal sales growth, we are focused on acquiring complementary businesses. Following an acquisition, we seek to drive cost reductions, develop additional cross-selling opportunities and deepen customer relationships. We also focus on profit margin expansion and cash flow generation to achieve our financial and EPS growth goals. Our LEAD ( Lean Enterprise Across Disciplines ) process utilizes various continuous improvement techniques to drive out costs and improve efficiencies across all locations and functions worldwide, thereby expanding profit margins. We recently expanded our LEAD efforts to include Growth and Innovation, a new process focused on growing our sales faster. Strong cash flow generation is achieved by maximizing returns on assets and minimizing primary working capital needs. The cash flow that results from efficient asset management and improved profitability is used to reduce debt and fund additional acquisitions and internal growth opportunities.

The comparability of the operating results for the three months ended November 30, 2010 to the prior year period has been impacted by acquisitions, changes in foreign currency translation rates and the economic conditions that exist in the end markets we serve. Listed below are the acquisitions completed since September 1, 2009.

| <b>Business</b>  | <b>Segment</b> | <b>Acquisition Date</b> |
|------------------|----------------|-------------------------|
| Selantic         | Energy         | June 2010               |
| Biach Industries | Energy         | April 2010              |
| Hydrospeex       | Industrial     | April 2010              |
| Team Hydrotec    | Industrial     | April 2010              |

The operating results of acquired businesses are included in our condensed consolidated financial statements only since their respective acquisition date. In addition to acquisitions, changes in foreign currency translation rates also influence our financial results as approximately half of our sales are denominated in currencies other than the U.S. dollar. The year-over-year strengthening of the U.S. dollar during the first quarter has unfavorably impacted our operating results due to the translation of non-U.S. dollar denominated results. Restructuring costs and the related benefits from previously completed projects also impact the comparability of quarterly results. In both fiscal 2009 and 2010, in response to the global economic downturn, we took actions to address our cost structure, including workforce reductions, consolidation of facilities and the centralization of certain selling and administrative functions. Substantially all of our restructuring actions were completed in fiscal 2010, with limited restructuring charges expected in fiscal 2011.

**Results of Operations**

Results of operations for the three months ended November 30, 2010 include positive sales trends (including core sales growth in all four segments) and operating profit margin expansion driven by increased production volumes, favorable product mix and the benefits of completed restructuring actions. The following is a summary of the key developments and trends in each of our segments:

**Industrial Segment:** During the first quarter, the Industrial segment continued its strong sales trend, with core sales growth of 22% (its third consecutive quarter with double digit core sales growth). The increased sales were driven by improved demand across nearly all geographic regions, as orders continued to outpace sales during the quarter. This segment is focused on driving increased sales through the introduction of new products, market share gains (penetration into emerging markets and geographies) and strategic acquisitions (including the two business acquisitions completed during the second half of fiscal 2010). Industrial segment operating margins remained strong during the quarter due to increased sales levels, a reduced cost structure and the benefits of restructuring activities.





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**Energy Segment:** Our Energy segment, which had experienced year-over-year core sales declines since the third quarter of fiscal 2009, returned to positive core sales growth in the first quarter of fiscal 2011. The positive core sales trend (4% core sales growth) was driven by improved end market demand and increased activity in emerging markets. Operating margins, excluding restructuring costs, improved sequentially (and were the highest operating margins generated in the last four quarters) due to core sales growth, favorable acquisition mix and the benefits of previously completed restructuring activities.

**Electrical Segment:** The Electrical segment continued its recent trend of modest core sales growth, with core sales growth of 2% in the first quarter of fiscal 2011. Improved demand from OEMs during the quarter offset softness in other served markets including retail, commercial construction and electric utilities. The December 2010 acquisition of Mastervolt will expand the Electrical segment's product and technology offerings, accelerate innovation and new product developments and reposition sales and profits into higher growth markets.

**Engineered Solutions Segment:** The Engineered Solutions segment core sales growth was 22% in the first quarter of fiscal 2011, which continued the recent trend of strong core sales growth. Such growth is the result of continued strong demand from global heavy-duty truck markets and increased shipments to off-highway markets. A reduced cost structure from previously completed restructuring actions and the additional sales volumes improved absorption of manufacturing costs and resulted in sequential and year-over-year improvement in operating margins (excluding restructuring costs).

The following table sets forth our results of operations, on a consolidated basis, for the three months ended November 30, 2010 and November 30, 2009 (in millions):

|                                                               | Three Months Ended November 30, |     |      |             |
|---------------------------------------------------------------|---------------------------------|-----|------|-------------|
|                                                               | 2010                            |     | 2009 |             |
| Net sales                                                     | \$                              | 318 | 100% | \$ 273 100% |
| Cost of products sold                                         |                                 | 196 | 62%  | 173 63%     |
| Gross profit                                                  |                                 | 122 | 38%  | 100 37%     |
| Selling, administrative and engineering expenses              |                                 | 74  | 23%  | 65 24%      |
| Restructuring charges                                         |                                 |     | 0%   | 3 1%        |
| Amortization of intangible assets                             |                                 | 6   | 2%   | 5 2%        |
| Operating profit                                              |                                 | 42  | 13%  | 27 10%      |
| Financing costs, net                                          |                                 | 8   | 3%   | 9 3%        |
| Earnings from continuing operations before income tax expense |                                 | 34  | 11%  | 18 7%       |
| Income tax expense                                            |                                 | 7   | 2%   | 5 2%        |
| Earnings from continuing operations                           | \$                              | 27  | 8%   | \$ 13 5%    |

Fiscal 2011 first quarter consolidated net sales increased 17% to \$318 million compared to \$273 million for the comparable prior year period. Excluding the \$14 million year-over-year increase in sales from acquisitions and the \$5 million unfavorable impact of foreign currency exchange rate changes, fiscal 2011 first quarter consolidated core sales increased 14% compared to the prior year. Operating profit for the first quarter of fiscal 2011 was \$42 million, compared to \$27 million in the prior year period which included incremental restructuring costs of \$3 million. This year-over-year improvement in operating profit was mainly driven by increased sales, production levels, favorable product mix and a substantially improved cost structure. The changes in sales and operating profit at the segment level are discussed in further detail below.

**Segment Results****Net Sales (in millions)**

Three Months Ended November 30,

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|                      | 2010   | 2009   |
|----------------------|--------|--------|
| Industrial           | \$ 87  | \$ 65  |
| Energy               | 71     | 65     |
| Electrical           | 55     | 54     |
| Engineered Solutions | 105    | 89     |
|                      | \$ 318 | \$ 273 |

### Industrial Segment

Fiscal 2011 first quarter Industrial segment net sales increased by \$22 million (34%) to \$87 million compared to the prior year period. Excluding foreign currency rate changes (which unfavorably impacted sales comparisons by \$1 million) and sales from acquired businesses, core sales increased 22% during the first quarter of fiscal 2011. Sales continued to benefit from robust demand across most markets and geographies, the result of improved global economic conditions.

**Table of Contents****Energy Segment**

Energy segment net sales for the three months ended November 30, 2010 increased by \$6 million (10%) to \$71 million compared to the prior year period. Excluding sales from the Selantic and Biach acquisitions and foreign currency rate changes (which unfavorably impacted sales comparisons by \$1 million), core sales increased 4% for the first quarter, the result of increased activity in emerging markets and improved demand in the seismic market.

**Electrical Segment**

Electrical segment first quarter net sales increased by \$1 million (2%) to \$55 million in 2011 compared to the prior year period. The modest quarterly core sales growth was primarily the result of increased demand from OEMs in the industrial and professional electrical markets.

**Engineered Solutions Segment**

Engineered Solutions segment first quarter net sales increased by \$16 million (18%) to \$105 million in 2011. Excluding the \$3 million unfavorable impact of foreign currency rate changes, core sales grew 22% in the first quarter due to strong global demand from OEMs serving the heavy-duty truck and specialty vehicle markets (primarily agriculture, construction equipment and defense).

**Operating Profit (in millions)**

|                      | <b>Three Months Ended November 30,</b> |             |
|----------------------|----------------------------------------|-------------|
|                      | <b>2010</b>                            | <b>2009</b> |
| Industrial           | \$ 20                                  | \$ 14       |
| Energy               | 12                                     | 11          |
| Electrical           | 4                                      | 3           |
| Engineered Solutions | 14                                     | 5           |
| General Corporate    | (8)                                    | (6)         |
|                      | \$ 42                                  | \$ 27       |

**Industrial Segment**

Industrial segment operating profit increased by \$6 million (46%) to \$20 million for the three months ended November 30, 2010. Despite unfavorable acquisition mix and higher incentive compensation costs, quarterly operating profit margins (excluding restructuring costs) improved on a year-over-year basis as a result of increased volumes (higher absorption of manufacturing costs) and the benefits from prior restructuring actions.

**Energy Segment**

Energy segment operating profit for the three months ended November 30, 2010 increased \$1 million (3%) compared to the prior year period. The improvement in operating profit is a result of higher sales volumes and favorable acquisition mix.

**Electrical Segment**

Electrical segment operating profit increased to \$4 million for the three months ended November 30, 2010 compared to \$3 million in the prior year period. Excluding the \$2 million of restructuring costs incurred in the prior year, first quarter fiscal 2011 operating profits were lower as a result of expedited freight costs, investments in growth initiatives and temporary inefficiencies as we completed facility consolidations.

**Engineered Solutions Segment**

Engineered Solutions segment operating profit increased by \$9 million (152%) to \$14 million during the three months ended November 30, 2010. Operating profits increased as a result of an improved cost structure, higher sales volumes (increased absorption of fixed costs) and \$0.5 million of prior year restructuring costs.



**Table of Contents****General Corporate**

General corporate expenses for the three months ended November 30, 2010 increased \$2 million (47%) due to investments in growth initiatives, transaction costs for business acquisitions and increased annual incentive compensation costs.

**Restructuring**

Total restructuring costs were \$0.5 million and \$3 million for the three months ended November 30, 2010 and 2009, respectively. We completed the majority of our restructuring actions by August 31, 2010, with limited restructuring charges expected in fiscal 2011. We believe that our restructuring activities (primarily workforce reductions, plant consolidations and the centralization of certain selling and administrative functions) better align our resources with strategic growth opportunities, optimize existing manufacturing capabilities, improve our overall cost structure and deliver increased free cash flow and profitability. Refer to Note 4, Restructuring in the notes to the condensed consolidated financial statements for further discussion.

**Financing Costs, net**

All debt is considered to be for general corporate purposes and therefore financing costs have not been allocated to our reportable segments. The \$1 million year-over-year decrease in financing costs for the three months ended November 30, 2010 reflects lower average debt levels and reduced interest rates on variable rate debt.

**Income Taxes Expense**

The effective income tax rate was 20.6% and 25.5% for the three months ended November 30, 2010 and 2009, respectively. The lower effective income tax rate for the three months ended November 30, 2010 reflected higher foreign tax credits and increased taxable earnings in foreign jurisdictions (with statutory tax rates lower than the U.S. statutory tax rate).

**Cash Flows**

The following table summarizes the cash flows from operating, investing and financing activities for the comparative fiscal quarters ended November 30 (in millions):

|                                                     | 2010 | 2009 |
|-----------------------------------------------------|------|------|
| Net cash provided by operating activities           | \$ 6 | \$ 7 |
| Net cash used in investing activities               | (4)  | (3)  |
| Net cash provided by (used in) financing activities | 1    | (3)  |
| Effect of exchange rates on cash                    | 1    | 1    |
| Net increase in cash and cash equivalents           | \$ 4 | \$ 2 |

Cash flows from operating activities during the three months ended November 30, 2010 were \$6 million, the result of increased profits, offset by the payment of \$22 million of fiscal 2010 employee incentive compensation payments and increased accounts receivable and inventory levels. Operating cash flows and proceeds from stock option exercises funded the annual cash dividend and \$4 million of capital expenditures.

First quarter 2010 cash provided by operations was \$7 million, despite a \$37 million increase in accounts receivable associated with the expiration of the securitization program. Robust cash flow generated from operating activities during the first quarter of fiscal 2010 resulted from a significant working capital reduction, on account of lower business levels. Borrowings under the Senior Credit Facility of \$22 million funded the repurchase of \$23 million of 2% Convertible Notes, \$3 million of capital expenditures and the \$3 million payment of the annual cash dividend.

**Primary Working Capital Management**

We use primary working capital as a percentage of sales (PWC %) as a key indicator of working capital management efficiency. We define this metric as the sum of net accounts receivable and net inventory less accounts payable, divided by the past three months sales annualized. The

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following table shows the components of the metric (in millions):

|                             | November 30,<br>2010 | PWC% | November 30,<br>2009 | PWC% |
|-----------------------------|----------------------|------|----------------------|------|
| Accounts receivable, net    | \$ 196               | 15%  | \$ 175               | 16%  |
| Inventory, net              | 156                  | 12%  | 140                  | 13%  |
| Accounts payable            | (131)                | -10% | (109)                | -10% |
| Net primary working capital | \$ 221               | 17%  | \$ 206               | 19%  |

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Our net primary working capital percentage decreased year-over-year from 19% to 17%, primarily as a result of the increase in sales during the three months ended November 30, 2010, relative to the prior year period. Excluding the impact of changes in foreign currency exchange rates, accounts receivable increased \$11 million (due to the 14% core sales growth), inventory increased \$9 million (due to seasonal inventory builds and improved economic conditions in certain of the end markets we serve) while accounts payable balances were unchanged.

### **Liquidity**

The Senior Credit Facility provides a \$400 million revolving credit facility and bears interest at LIBOR plus 3.25%. The two financial covenants included in the Senior Credit Facility agreement are a maximum leverage ratio of 3.5:1 and a minimum fixed charge coverage ratio of 1.65:1. The Company was in compliance with all debt covenants at November 30, 2010. We intend to extend or replace the Senior Credit Facility prior to its November 10, 2011 maturity date.

Holders of our 2% Convertible Notes have the option to require us to repurchase all or a portion of their 2% Convertible Notes for cash on November 15, 2013 and November 15, 2018 at a repurchase price equal to 100% of the principal amount of the notes, plus accrued interest. If certain conditions are met, holders may also convert their 2% Convertible Notes into shares of the Company's Class A common stock prior to the scheduled maturity date. We may redeem all or part of the 2% Convertible Notes for cash, at a redemption price equal to 100% of the principal amount, plus accrued interest. See Note 8, "Debt" in the notes to the condensed consolidated financial statements for further discussion on the 2% Convertible Notes.

At November 30, 2010, we had \$44 million of cash and cash equivalents and \$366 million of available liquidity under our Senior Credit Facility. Subsequent to November 30, 2010, we borrowed against our Senior Credit Facility to fund the acquisition of Mastervolt (as discussed in Note 2, "Acquisitions"). We believe that the availability under the Senior Credit Facility, combined with our existing cash on hand and funds generated from operations will be adequate to meet operating, debt service, acquisition funding and capital expenditure requirements for the foreseeable future.

### **Commitments and Contingencies**

We lease certain facilities, computers, equipment and vehicles under various operating lease agreements, generally over periods from one to twenty years. Under most arrangements, we pay the property taxes, insurance, maintenance and expenses related to the leased property. Many of the leases include provisions that enable us to renew the lease based upon fair value rental rates on the date of expiration of the initial lease.

In the normal course of business we have entered into certain real estate and equipment leases or have guaranteed such leases on behalf of our subsidiaries. In conjunction with the spin-off of a former subsidiary in fiscal 2000, we assigned our rights in the leases used by the former subsidiary, but were not released as a responsible party from all such leases by the lessors. All of these businesses were subsequently sold. We remain contingently liable for those leases if any of these businesses are unable to fulfill their obligations thereunder. The discounted present value of future minimum lease payments for these leases was \$3 million at November 30, 2010.

We had outstanding letters of credit of \$9 million at November 30, 2010 and August 31, 2010, the majority of which secure self-insured workers compensation liabilities.

### **Off-Balance Sheet Arrangements**

As discussed in Note 6, "Accounts Receivable Securitization" in the Notes to the condensed consolidated financial statements, we were a party to an accounts receivable securitization arrangement, which we did not renew on its September 9, 2009 maturity date.

### **Contractual Obligations**

Our contractual obligations are discussed in Part 1, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Contractual Obligations" in our Annual Report on Form 10-K for the year ended August 31, 2010, and, as of November 30, 2010, have not materially changed since that report was filed.

## **Item 3 Quantitative and Qualitative Disclosures about Market Risk**

There has been no significant change in our exposure to market risk during the three months ended November 30, 2010. For a discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in our Annual Report on Form

10-K for the fiscal year ended August 31, 2010.



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**Item 4 Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.*

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ), as of the end of the period covered by this quarterly report (the Evaluation Date ). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ( SEC ) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company s management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting.*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). There have been no changes in our internal control over financial reporting that occurred during the quarter ended November 30, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

Items 1, 1A, 2, 3, 4 and 5 are not applicable and have been omitted.

**Item 6 Exhibits**

(a) Exhibits

See Index to Exhibits on page 29, which is incorporated herein by reference.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ACTUANT CORPORATION**

(Registrant)

Date: January 7, 2011

By:

/s/ ANDREW G. LAMPEREUR

**Andrew G. Lampereur**

**Executive Vice President and Chief Financial Officer**

**(Principal Financial Officer)**

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**ACTUANT CORPORATION**

**(the Registrant )**

**(Commission File No. 1-11288)**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTER ENDED November 30, 2010**

**INDEX TO EXHIBITS**

| <b>Exhibit</b> | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                    | <b>Incorporated</b>                                             | <b>Filed<br/>Herewith</b> |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------|
|                |                                                                                                                                                                                                                                                                                                                                                                                       | <b>Herein<br/>By Reference<br/>To</b>                           |                           |
| 10.1           | Share Purchase Agreement, dated November 30, 2010, by and between Mastervolt B.V. and Actuant Corporation                                                                                                                                                                                                                                                                             | Exhibit 2.1 to 8-K<br>filed with the SEC on<br>December 1, 2010 |                           |
| 31.1           | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                    |                                                                 | X                         |
| 31.2           | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                    |                                                                 | X                         |
| 32.1           | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                    |                                                                 | X                         |
| 32.2           | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                    |                                                                 | X                         |
| 101*           | The following materials from the Actuant Corporation Form 10-Q for the quarter ended November 30, 2010 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) related notes, tagged as blocks of text. |                                                                 |                           |

\*     Furnished herewith